CONTAINER CORPORATION
OF AMERICA
CHICAGO, ILLINOIS

Annual Report
FISCAL YEAR ENDING
DECEMBER 31, 1932

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OF AMERICA
CHICAGO, ILLINOIS

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March 4, 1933

CONTAINER CORPORATION
OF AMERICA
CHICAGO, ILLINOIS

General Offices

111 W. WASHINGTON ST., CHICAGO, ILLINOIS.

Location of Plants

Mills

CHICAGO, ILL. (TWO)
CARTHAGE, IND.
KOKOMO, IND.
CINCINNATI, OHIO
CIRCLEVILLE, OHIO
PHILADELPHIA, PA.

Factories

CHICAGO, ILL. (TWO)
ANDERSON, IND. (TWO)
CLEVELAND, OHIO
CINCINNATI, OHIO
NATICK, MASS.
PHILADELPHIA, PA.

Subsidiaries

MID-WEST BOX COMPANY
SEFTON CONTAINER CORPORATION
DIXON BOARD MILLS, INC.
CHICAGO MILL PAPER STOCK COMPANY
PIONEER PAPER STOCK COMPANY

Branch and Sales Offices

INDIANAPOLIS, INDIANA
MINNEAPOLIS, MINNESOTA
NEW YORK, NEW YORK
PITTSBURGH, PENNSYLVANIA

Container Corporation
of America
Chicago, Illinois

Directors

Sewell L. Avery, *Chicago, Ill.*
J. P. Brunt, *Chicago, Ill.*
Henry B. Clark, *Highland Park, Ill.*
George deB. Greene, *New York, N. Y.*
Edward R. Hankins, *Chicago, Ill.*
Wm. P. Jeffery, *New York, N. Y.*
John Jacobs, Jr., *Philadelphia, Pa.*
Walter P. Paepcke, *Chicago, Ill.*
Edward A. G. Porter, *Philadelphia, Pa.*
Stanley A. Russell, *New York, N. Y.*
Hugh Strange, *Menasha, Wis.*

Executive Committee

Sewell L. Avery	Walter P. Paepcke
Wm. P. Jeffery	Stanley A. Russell

Officers

President, Walter P. Paepcke
Vice President, J. J. Brossard
Vice President, Wesley M. Dixon
Vice President, Edward R. Hankins
Secretary, E. A. Wagonseller
Comptroller, A. J. Baumgardt
Assistant Treasurer, H. C. Baumgartner
Assistant Treasurer, Hugh K. Crawford
Assistant Secretary, Christ Madsen

Transfer Agents

First Union Trust and Savings Bank, *Chicago, Ill.*
City Bank Farmers Trust Company, *New York, N. Y.*

Registrars

Continental Illinois National Bank and Trust Co., *Chicago Ill.*
The Chase National Bank of the City of New York, *New York, N. Y.*

CONTAINER CORPORATION
OF AMERICA
CHICAGO, ILLINOIS

Chicago, Illinois, March 4, 1933.

TO THE STOCKHOLDERS OF
CONTAINER CORPORATION OF AMERICA:

Submitted herewith is the Annual Report of the Container Corporation of America for the year ended December 31, 1932. The Auditor's Certificate, Consolidated Balance Sheet as of December 31, 1932, and Summary of Consolidated Profit and Loss and Surplus Accounts for the year ended December 31, 1932 are made a part of this report.

PROFIT AND LOSS

Operations of the Company and its subsidiaries for the year ended December 31, 1932 resulted in a net loss of $1,380,362.95 as compared with a net loss of $908,436.28 (excluding extraordinary income and charges) for the previous year. These results are after provision for depreciation and include deductions for repairs, uncollectible accounts, interest charges, and amortization of discount and expense on the Company's bonds and debentures. Profit realized on bonds of your Company purchased at a discount during the year is not included in the operating loss as was the case in the previous year but is considered as a direct adjustment to surplus. Depreciation has been charged against both operating and non-operating plants at the same rates as used in prior years. A comparative summary of results from operations for the years 1931 and 1932 is set forth in the following:

	1931	1932
Net profit from sales after deducting cost of sales including raw materials, labor and overhead (exclusive of depreciation) and selling and administrative expense	$483,809	$ *68,977
Deduct: Provision for depreciation	819,979	794,406
Net Loss from Operations	$336,170	$ 863,383
Miscellaneous Income (Net)	8,621	18,906
	$327,549	$ 844,477
Interest charges and amortization of discount and expense on bonds and debentures	580,887	535,886
Net Loss before Extraordinary Income and Charges	$908,436	$1,380,363

*Loss

The 1932 net loss exceeded the 1931 net loss by $471,927. Both sales dollar volume and sales tonnage volume were less than in 1931, the former reflecting a decrease of 27% and the latter a decrease of only 8%. The substantial decline in sales dollar volume is attributable principally to a consistent downward trend in selling prices which continued practically throughout the entire year; during the last five months of the year, however, a slight upward trend in selling prices became evident and this trend has held during the first two months of the present year.

The paperboard industry as a whole operated at approximately 55% of full capacity during 1932 as compared to 67% in 1931, 69.6% in 1930 and 75% in 1929; your Corporation operated during the year 1932 at about the same ratio as the industry. From the above percentage figures it is apparent that the consuming demand in this particular industry has held up remarkably well. On the other hand, price conditions in the industry were unsatisfactory; in fact, price levels in 1932 were approximately 60% less than in 1927. Because of the heavy fixed asset investment in paperboard companies, there has usually been an unduly aggressive effort made by all competitors in this field to secure volume in order to help sustain the large carrying costs of depreciation, taxes, insurance, etc., of these substantial investments, with a consequent result of demoralized price levels.

To offset the decrease in earnings resulting from this reduction in selling prices and slight drop in volume, the management continued and thoroughly enforced an economy program of such drastic proportions that it affected every expense and cost in every department of the business. As an illustration selling expenses were reduced 24% and administrative expenses were reduced 27% as

compared to the previous year. As a result of the savings thus effected the net loss for the year is substantially less than otherwise would have resulted.

WORKING CAPITAL

Notwithstanding the net loss incurred of $1,380,363 your Company was able to maintain a very good current position. Working capital was decreased by $472,936 and the ratio of current assets to current liabilities was 4.87 to 1 as against 5.10 to 1 at the end of the previous year.

It will be of particular interest to note that the cash position was better at the end of the year by $151,635 as compared to the previous year.

The large decrease of $575,434 in inventories, is caused in part by more effective control of stocks of raw and finished materials, and in part by the prevailing lower level of values. The stocks of finished merchandise are clean, in good condition, and free of slow-moving and discontinued items. All inventories at December 31, 1932 are priced at the lower of cost or market, which results in a lower average value per unit than at December 31, 1931.

Working capital comparisons at December 31, 1931 and at December 31, 1932 are presented as follows:

	1931	1932	Increase or Decrease (d)
Current Assets:			
Cash	$ 876,050	$1,027,685	$151,635
Accounts and Notes Receivable	932,857	771,575	161,282 (d)
Inventories	1,832,466	1,257,032	575,434 (d)
Tax Anticipation Warrants and Interest	—	33,397	33,397
	$3,641,373	$3,089,689	$551,684 (d)
Current Liabilities:			
Accounts Payable	$ 300,907	$ 340,754	$ 39,847
Accrued Interest	31,386	30,156	1,230 (d)
Accrued Wages	25,528	8,734	16,794 (d)
Reserve for Taxes	294,648	225,399	69,249 (d)
Sundry Reserve	40,432	15,610	24,822 (d)
Current Maturities—Funded Debt of Subsidiaries	20,500	14,000	6,500 (d)
	$ 713,401	$ 634,653	$ 78,748 (d)
Net Working Capital	$2,927,972	$2,455,036	$472,936 (d)
Current Ratio	5.10 to 1	4.87 to 1	

A statement showing the sources of funds made available during the year and the disposition thereof is shown below:

FUNDS PROVIDED FROM THE FOLLOWING SOURCES:			
Net decrease in working capital			$472,936
Proceeds from sale of fixed assets		$ 449,621	
Less: Company's own stock accepted as part payment—			
Preferred stock—2nd series	$203,700		
Common stock—Class A	60,000	263,700	185,921
Collection of deferred notes receivable formerly carried under other assets			47,500
Reduction in miscellaneous other assets			4,868
Reduction in deferred charges other than bond discount and expense			73,490
			$784,715
WERE EXPENDED OR ACCOUNTED FOR AS FOLLOWS:			
Purchase of Company's own securities Bonds and debentures (par value $283,125)			$134,829
Addition to plant and equipment			149,899
Charges to reserve for contingencies			15,500
Net loss for year		$1,380,363	
Deduct non-cash charges			
Provision for depreciation	$806,466		
Amortization of bond discount and expense	50,247	856,713	
		$ 523,650	
Less: Extraordinary income (exclusive of bond profit) credited to surplus		39,163	484,487
			$784,715

FUNDED OBLIGATIONS

The Company's funded indebtedness was decreased by $283,125 during the year. All interest payments were made when due and sinking fund requirements were met in accordance with provisions of the trust indentures. Reduction in funded indebtedness is set forth in the following comparative schedule of the Company's outstanding indebtedness less current maturities:

	Outstanding Dec. 31, 1931	Outstanding Dec. 31, 1932	Decrease
1st Mtge. Sinking Fund 6% bonds due 6-15-46	$3,831,500	$3,732,500	$ 99,000
Fifteen Year 5% Debentures due 6-1-43	4,837,000	4,695,000	142,000
Dixon Board Mills, Inc. 1st Mtge. 6% Gold Bonds	266,500	238,500	28,000
Gibraltar Corrugated Paper Co. 2nd Mortgage	14,125	—	14,125
	$8,949,125	$8,666,000	$283,125

At the close of the year the Company had in its treasury sufficient first mortgage bonds and debentures to provide for sinking fund requirements, in excess of one year in the case of the first mortgage bonds, and in excess of two years in the case of 5% debentures.

CAPITALIZATION

Following is a summary of the various issues of capital stock of the Company:

Class of Stock	Shares Authorized	Shares Issued	Outstanding Shares	12/31/31 Amount	Outstanding Shares	12/31/32 Amount
PREFERRED—						
7% CUMULATIVE	150,000					
Original Series (Par Value $100)		18,000	18,000	$1,800,000	18,000	$1,800,000
Second Series (Par Value $100).		3,200	2,359	235,900	322	32,200
COMMON						
Class A .... (Par Value $20)	2,000,000	373,555	373,555	7,471,100	373,555	7,471,100
Class B .... (No Par Value)	1,200,000	572,402	572,402	2,890,945	572,402	2,890,945
IN TREASURY						
Preferred 2nd Series			841	84,100	2,878	287,800
Common—Class A			2,625	10,500	5,625	70,500
Common—Class B			4,650	23,250	4,650	23,250

It will be noted that 2,037 shares of second series preferred and 3,000 shares of Class A common were added to the stock in the treasury during the year. These shares were not acquired by purchase but were taken back by the company as part payment in the transaction involving the sale of the Gibraltar plant.

ADJUSTMENTS TO SURPLUS

In addition to the change in surplus effected by the net loss for the year the following amount was added to surplus:

Profit realized on Company's bonds purchased during year		$148,296
Adjustment of tax accruals for prior years..............		36,781
		$185,077
Less:		
Loss realized by write-off of book value of boiler equipment at Cincinnati Plant replaced by new installation.	$21,356	
Loss realized by write-off of book values of machinery and equipment scrapped as a result of discontinuance of Corrugated Department at the 35th Street Plant, Chicago, which department was consolidated with the Corrugated Department at the Ogden Avenue Plant, Chicago	11,588	
	$32,944	
Net profit realized on sale of current and fixed assets..	2,382	30,562
Net Addition		$154,515

The net change in earned surplus for the year was a decrease of $1,225,849 as compared to a decrease of $686,813 for the year 1931.

MANUFACTURING

During the year the Gibraltar Plant at North Bergen, New Jersey and the Stock Box Division of the Folding Box business were sold. The former involved the sale of real estate, buildings, machinery and equipment, and inventories, while the latter represented the sale of machinery used in the manufacture of stock boxes and the inventory on hand located principally at the Anderson, Indiana Plant. These transactions resulted in a small net profit of $2,382 which represents the excess of the total cash and par value of stock received over the full book values of the assets sold.

The plant at Kokomo, Indiana, two paper machines at the Carthage, Indiana Plant and two paper machines at the Philadelphia, Pennsylvania Plant were not operated at any time during the year inasmuch as sufficient tonnage was not available to warrant their operation; it was found more economic to consolidate the available business by operating a majority of the paper units to reasonably full capacity, rather than operating a larger number of units on a part time basis.

At the close of the year the gross values of the physical properties of your company were carried on the books at $22,986,247 as compared to $23,381,242 at the close of the previous year. During the year $149,899 was added through new capital expenditures while $544,894 was written off as a result of sales and replacements. Depreciation was charged at the same rate as in prior years and the amount of $806,466 was added to the depreciation reserve while sales and retirement of properties reduced the reserve by the amount of $62,329. The balance in the depreciation reserve account at December 31, 1932 was $4,949,959 as compared to $4,205,822 at December 31, 1931.

A new boiler was installed at the Cincinnati Plant replacing two old boilers. The new equipment is effecting savings that will offset the loss realized in the replacement of the old equipment well within one year's time.

Equipment at all operating plants was kept in good repair and in addition to the expenditures made for new capital items, the substantial sum of $601,000 was spent for repair and maintenance of machinery and equipment. This latter amount was entirely absorbed in cost of operations.

Reductions in wages were made throughout all the plants and all other manufacturing costs were greatly reduced. The plants at the present time are producing the Company's products at the lowest cost in the history of the Corporation. Also, the quality of products of the Corporation was further improved during the year. As a specific reflection thereof, it is interesting to note that allowances for factory defectives were decreased 35% as against 1931.

SALES

As before mentioned, the shrinkage in tonnage volume in 1932 as against 1931 was relatively small, while the drop in dollar volume due to price level reductions was substantial. During the year the Corporation was able to hold practically all of its regular customers and in fact, added a considerable number of new customers. Due to the contracted volume of the business of most of these customers, their requirements of the product of your Corporation was likewise reduced.

Your Company, in order to retain its proper proportion of the available tonnage, maintains an effective selling organization operating through the various plant offices and several sales offices conveniently located in various sections of the country. In addition, several laboratories and box design departments are operated for the purpose of testing the products manufactured, working out problems for customers, and for designing and developing new uses in new lines of industry for the products of your Company.

The history of the fibreboard industry has been one of continued expansion in the uses of its products. Paperboard packages are being adopted by many new users because of economy and the prevailing tendency to distribute merchandise in smaller units. In the past year products were developed for paperboard insulation, new packages for bulk butter, lard, fish, vegetables, console radios and many others.

Your Company is following with substantial interest the prevailing trend in national sentiment toward liberalizing prohibition legislation and the prospective return of beer and other alcoholic beverages, inasmuch as such action would open an additional field for the sale of your Company's products, namely, bottle boxes.

ORGANIZATION

There were several changes in local operating and branch sales management made during the year. Closer cooperation and co-

ordination between the various departments of the Corporation has been emphasized, as well as economy in the administration of the various departments.

Total general administrative and selling expenses were reduced by $419,566 compared with 1931.

The loyal, courageous, and intelligent attitude of mind of the employees of the Corporation in meeting the difficult problems of a year full of business adversities, cannot be praised too highly.

Respectfully submitted on behalf of the Officers and the Board of Directors.

WALTER P. PAEPCKE, *President.*

ARTHUR ANDERSEN & CO.

ACCOUNTANTS AND AUDITORS

ONE LA SALLE STREET BUILDING

CHICAGO

Auditors' Certificate

TO THE PRESIDENT AND BOARD OF DIRECTORS OF
CONTAINER CORPORATION OF AMERICA:

We have examined the accounts of CONTAINER CORPORATION OF AMERICA (a Delaware corporation) and of its subsidiary companies for the year ended December 31, 1932. In our opinion, the accompanying consolidated balance sheet and summary of consolidated profit and loss and surplus accounts fairly present the financial position of the companies at that date and the results of their operations for the year then ended.

ARTHUR ANDERSEN & CO.

Arthur Andersen & Co

Chicago, Illinois,
February 22, 1933.

Container Corporation
of America
and Subsidiary Companies

Summary of Consolidated Profit and Loss and Surplus Accounts for the Year Ended December 31, 1932

Particulars	Amount
Net Loss from sales after deducting cost of sales including raw materials, labor and overhead (exclusive of depreciation) and selling and administrative expenses	$ 68,976.83
Add—Provision for depreciation	794,406.18
Net loss from operations	$ 863,383.01
Miscellaneous Income—net	18,905.67
	$ 844,477.34
Interest Charges and Discount on Bonds and Debentures	535,885.61
Net loss for the year	$1,380,362.95

SURPLUS ACCOUNTS

Capital Surplus:			
Balance at December 31, 1931			$1,460,810.83
Earned Surplus:			
Balance at December 31, 1931		$ 36,128.57	
Add—			
Discount on bonds and debentures purchased in anticipation of sinking fund requirements		148,295.53	
Excess provision for real estate taxes for the years 1930 and 1931		36,780.72	
Total		$ 221,204.82	
Deduct:			
Net loss on fixed assets sold or scrapped, etc.	$ 30,562.05		
Net loss for the year as above	1,380,362.95		
		1,410,925.00	
Balance at December 31, 1932 (deficit)			1,189,720.18
Net surplus balance at December 31, 1932			$ 271,090.65

CONTAINER CO[illegible]
AND SUBSID[illegible]R
Consolidated Bala[illegible]ee

ASSETS

Current Assets:		
Cash	$ 1,027,684.66	
Tax anticipation warrants at cost plus accrued interest	33,397.13	
Accounts and notes receivable less reserves	771,574.72	
Inventories—certified by the management as to quantities and condition, priced at the lower of cost or market........	1,257,032.53	
Total current assets		$ 3,089,689.04
OTHER NOTES AND ACCOUNTS............		40,475.50
TREASURY STOCK—at cost (5,625 shares Class A and 4,650 shares Class B)		93,750.00
Plant and Equipment—		
At cost based an appraisals at various dates plus additions since:		
Land	$ 3,251,857.43	
Buildings including leasehold improvements	7,768,111.88	
Machinery and equipment..........	11,904,676.98	
Furniture and fixtures.............	61,600.65	
Together	$22,986,246.94	
Less—Reserve for depreciation......	4,949,959.19	18,036,287.75
DEFERRED CHARGES TO FUTURE OPERATIONS		591,908.48
GOODWILL AND PATENTS		1.00
		$21,852,111.77

**There are outstanding certain stock purchase warrants covering options on Class A stock at $42.50 per share, expiring June 1, 1935.

NOTE: Merchandise in transit ($37,350.79) has [illegible]

ATION OF AMERICA
RY COMPANIES
eet—December 31, 1932

LIABILITIES

Current Liabilities:		
Accounts Payable ....$	340,753.96	
Interest, wages, taxes, etc. accrued......	279,899.45	
Current maturity of Dixon Board Mills, Inc. first mortgage 6% gold bonds, less bonds held in treasury	14,000.00	
Total current liabilities		$ 634,653.41
FUNDED OBLIGATIONS (less current maturity above, and amounts purchased in anticipation of sinking fund requirements):		
Container Corporation of America—		
*First mortgage sinking fund 6% bonds, due June 15, 1946..............$	3,732,500.00	
Fifteen year 5% debentures due June 1, 1943	4,695,000.00	
Dixon Board Mills, Inc.		
First mortgage 6% gold bonds due serially to December 1, 1942......	238,500.00	8,666,000.00
RESERVE FOR CONTINGENCIES............		86,122.71
CONTINGENT LIABILITIES REPORTED:		
Foreign drafts discounted..$ 2,291.86		
Federal income taxes in dispute, partly covered by reserve for contingencies... 183,976.36		
CAPITAL STOCK AND SURPLUS:		
Capital stock—		
Preferred—authorized 150,000 shares—		
Original series—7% cumulative (sinking fund) — issued 25,000 shares, retired 7,000 shares, outstanding 18,000 ....$	1,800,000.00	
Second series—7% cumulative—issued 3,200 shares, in treasury 2,878, outstanding 322	32,200.00	
(Unpaid dividends on both series accumulated from January 1, 1931)		
Common—		
**Class A—authorized 2,000,000 shares—par value $20.00—issued 373,555 shares	7,471,100.00	
Class B—authorized 1,200,000 shares—no par value—issued 572,402 shares	2,890,945.00	
	$12,194,245.00	
Capital surplus less deficit..............	271,090.65	12,465,335.65
		$21,852,111.77

*Entire capital stock, except directors' qualifying shares, of Chicago Mill Paper Stock Company, a subsidiary, pledged with trustee for first mortgage bonds.

een included in the inventories or in the liabilities.

MONTGOMERY WARD

Sixty-first Annual Report
Fiscal Period Ended
January 31
1933

MONTGOMERY WARD & CO.,

INCORPORATED

Sixty-first Annual Report

Fiscal Period Ended January 31, 1933

Chicago, March 27, 1933

To the Stockholders of
Montgomery Ward & Co.:

To secure the advantages of taking inventories at a period most favorable to retail merchandising, the Company has changed its business year to end January 31. The financial accounts herewith presented are for the thirteen months ended January 31, 1933.

The operations of the Company for the thirteen months show a loss of $5,686,783.75 as compared with a loss of $9,737,083.08 for the thirteen months ended January 31, 1932. Sales declined from $210,945,672.00 to $176,488,690.00 or $34,456,982.00 equivalent to 16.33%.

The financial position of the Company is strong. Current assets at January 31, 1933 (excluding first mortgage notes on homes sold, heretofore shown as a current asset) were $83,460,366.06 against current liabilities of $7,140,395.41—a ratio of 11.7 to 1.

Cash and marketable securities amounted to $27,823,967.08. Inventories, valued at cost or market

prices, whichever lower, are larger than a year ago, having been built up in accordance with revised merchandising policies.

The 99,764 shares of common stock held in the treasury consist of 50,586 shares acquired prior to 1932, of which 43,117 were re-purchased from employees at cost to them plus 5% interest in accordance with contracts of sale. The remaining 49,178 shares were purchased in the open market at an average cost to the Company of $8.43 per share. These are substantially all of the block of 100,000 shares of the Company's common stock on which your President was granted an option at $11.00 per share, under the arrangement made when he came with the Company.

Adequate reserves have been made for all known losses and liabilities. The balance sheet at January 31, 1933, is conservatively stated.

Respectfully submitted,

SEWELL L. AVERY,
President

Montgomery Ward

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Consolidated Balance She

ASSETS

Current Assets:			
Cash			$ 9,300,907.53
Marketable securities—at cost—			
United States Government securities		$ 16,988,085.81	
Other securities		1,534,973.74	18,523,059.55
(Market value at January 31, 1933—$18,434,241)			
Receivables—less reserves—			
Customers'—time payment (average terms ten months) and charge accounts		$ 13,848,761.23	
Vendors' accounts and claims receivable		1,038,080.68	14,886,841.91
Merchandise inventories, certified by management as to quantities and condition, valued at cost or market, whichever lower			40,749,557.07
Total current assets			$ 83,460,366.06
First Mortgage Notes and Investments— at estimated realizable values:			
Notes and land contracts on homes sold (due in installments) and homes held for resale		$ 10,628,930.38	
Investments		493,837.70	11,122,768.08
Prepaid Spring Catalogue Costs, Supplies, Insurance, Etc.			2,632,046.10
Fixed Assets:			
Land		$ 5,923,571.08	
Buildings	$ 29,867,545.80		
Fixtures and equipment	21,215,420.87		
	$ 51,082,966.67		
Less—			
Reserve for depreciation	13,718,695.00	37,364,271.67	
Leasehold improvements—less amortization		1,052,934.44	44,340,777.19
			$141,555,957.43

ı'd & Co., Incorporated

O·· ··ʀPORATION)

·é Sheet—January 31, 1933

LIABILITIES

Current Liabilities:

Accounts payable			$ 4,079,442.48
Due customers			1,033,324.51
Accrued expenses			1,833,028.42
Maturities on long term debt, due within one year			194,600.00
Total current liabilities			$ 7,140,395.41

Long Term Indebtedness due serially:

Purchase contract—Chicago Administration Building — and first mortgage bonds (current maturities above)			2,024,000.00

General Reserves			2,688,576.35

Capital Stock and Surplus:

Capital stock— Authorized— Class "A"—$7 per share non-callable cumulative— 205,000 shares of no par value (On liquidation receives $100 per share) Common— 6,000,000 shares of no par value Outstanding— Class "A"— 201,554 shares, after deducting 3,446 shares in treasury—dividends in arrears to January 31, 1933, $1,175,731.67; Common— 4,465,240 shares, after deducting 99,764 shares in treasury under option.	$121,232,141.44		
Earned surplus	8,470,844.23	129,702,985.67	
		$141,555,957.43	

Montgomery Ward & Co., Incorporated

Consolidated Income Account
For the Thirteen Months Ended January 31, 1933

Net Sales		$176,488,690.00
Less—		
Cost of goods sold (including inventory write-downs) and all other expenses except depreciation	$178,839,278.27	
Depreciation (including amortization of leasehold improvements—$340,586.52)	3,247,965.37	182,087,243.64
		$ 5,598,553.64
Deduct—		
Interest and dividends on securities		769,444.83
		$ 4,829,108.81
Add—		
Loss on sale of securities acquired in prior years		857,674.94
Net Loss		$ 5,686,783.75

Auditors' Certificate

To the Board of Directors,
Montgomery Ward & Co., Incorporated:

We have examined the accounts of MONTGOMERY WARD & CO., INCORPORATED (an Illinois corporation) and its SUBSIDIARIES, for the thirteen months ended January 31, 1933 and, in our opinion, the accompanying consolidated balance sheet, income, earned surplus and general reserve accounts correctly present the consolidated financial position of the companies at January 31, 1933, the results of operations and the changes in surplus and general reserve accounts for the thirteen months ended that date.

ARTHUR ANDERSEN & CO.

Chicago, Illinois,
February 25, 1933.

Montgomery Ward & Co., Incorporated

Consolidated Earned Surplus Account
For the Thirteen Months Ended January 31, 1933

Balance January 1, 1932		$ 14,514,582.48
Less—		
Loss from operations for the period	$ 5,686,783.75	
Dividends paid on class "A" stock (first quarter 1932)	356,954.50	6,043,738.25
Balance January 31, 1933		$ 8,470,844.23

Consolidated General Reserves
For the Thirteen Months Ended January 31, 1933

Balance January 1, 1932			$ 6,510,051.52
Add—			
Provisions made through charges to income account (net)			349,246.18
			$ 6,859,297.70
Less—			
Cost of closing and relocation of stores, etc.		$ 2,374,689.73	
Allocated to specific assets—			
First mortgage notes and investments	$ 1,631,200.00		
Other assets	164,831.62	1,796,031.62	4,170,721.35
Balance January 31, 1933			$ 2,688,576.35

Record of Net Sales
Years Ended December 31

1932 (13 Months)	$176,488,690	1927	$186,683,340
1931	200,400,193	1926	183,800,865
1930	249,097,223	1925	170,592,642
1929	267,325,503	1924	150,045,065
1928	214,350,446	1923	123,702,043

Montgomery Ward & Co., Incorporated

DIRECTORS

Sewell L. Avery, *Chairman*

David A. Crawford
Harry P. Davison
George B. Everitt
Charles F. Glore
Harry E. Hughes
D. R. McLennan
Jackson E. Reynolds
Thomas P. Riordan
Charles H. Schweppe
Silas H. Strawn

OFFICERS

Sewell L. Avery	*President*
Silas H. Strawn	*Chairman, Executive Committee*
Walter G. Baumhogger	*Vice-President*
R. H. Fogler	*Vice-President*
Walter Hoving	*Vice-President*
Harry E. Hughes	*Vice-President*
David T. Webb	*Vice-President*
Robert G. Bear	*Treasurer*
A. D. Churbuck	*Assistant Treasurer*
George W. Vaught	*Assistant Treasurer*
Thomas P. Riordan	*Secretary*
Stuart S. Ball	*Assistant Secretary*

Transfer Agents

Montgomery Ward & Co., Incorporated, Chicago, Ill.
Montgomery Ward & Co., Incorporated, New York, N. Y.

Registrars

First Union Trust & Savings Bank, Chicago, Ill.
The First National Bank, New York, N. Y.